

# Mergers & Acquisitions



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Family HealthCare Network



## New County, New Partners, New Residency

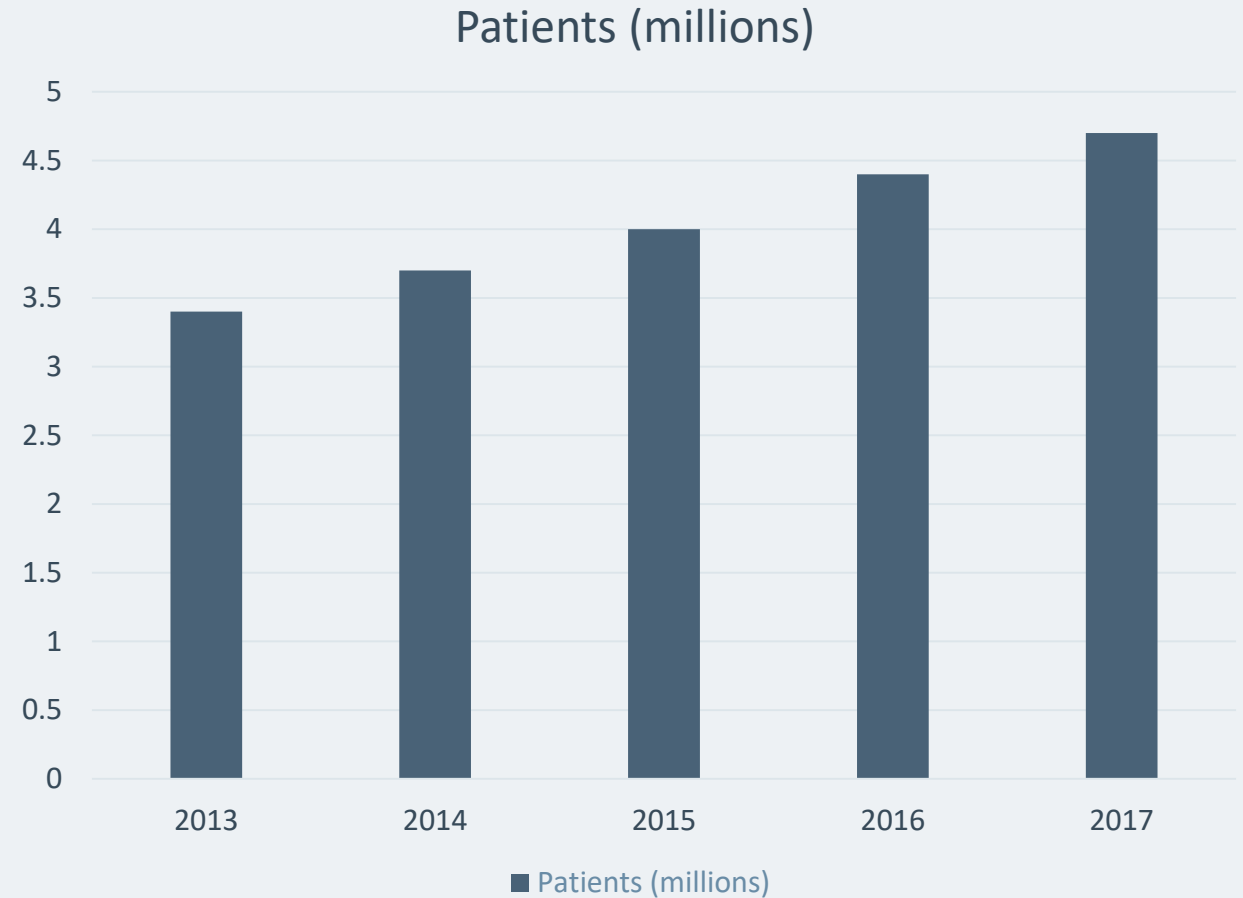
Our move to partner with a hospital, faculty group, and IPA

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# California FQHCs

- Over 20 million visits by CA FQHCs in 2016
- About 64% on Medicaid
- Avg patient has 4 visits/yr
- Median Margin of 7.3%
- Median DCOH of 83

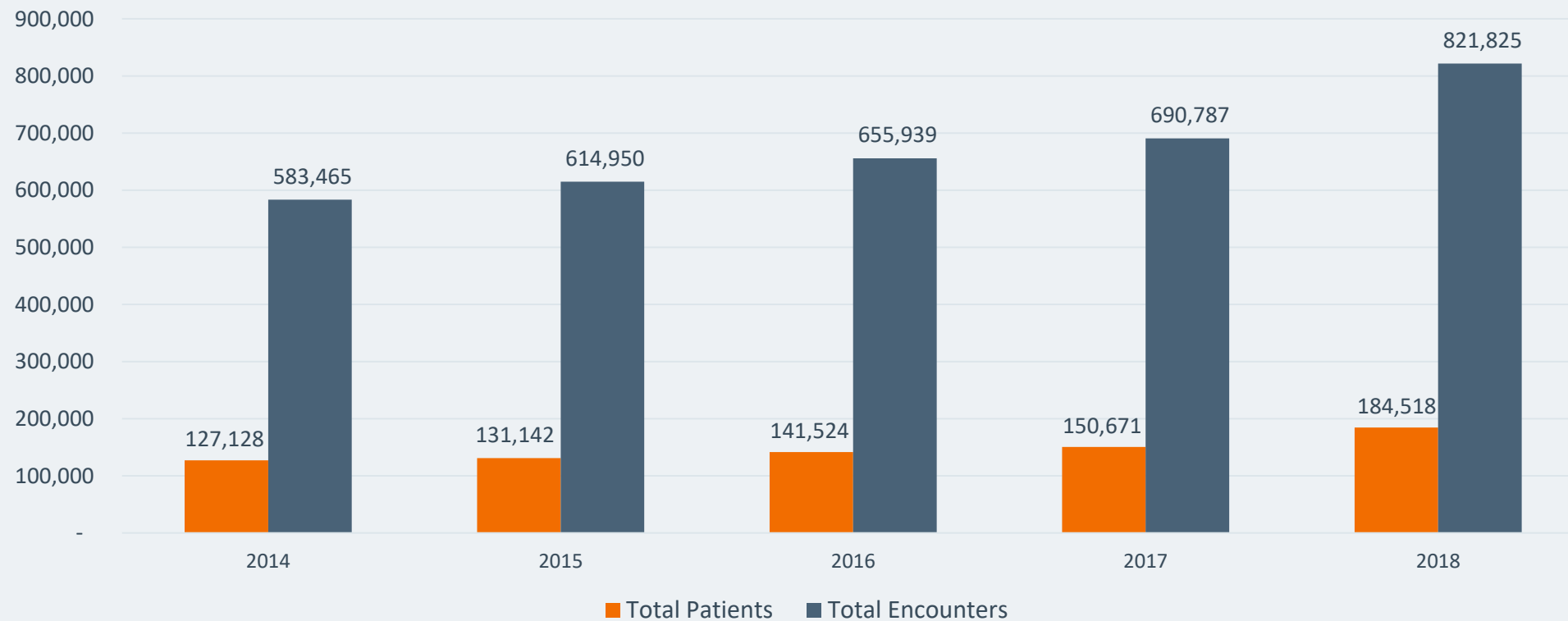


# Central California Landscape (2017 UDS)

- 3 of Top 15 FQHCs Nationally.
  - #7 FHCN, #9 Clinica Sierra Vista, #14 GVHN.
  - 6 FQHCs with more than 74,000 patients annually in Central California.
- About 25% of ALL Migrant/Seasonal Farmworkers reported on UDS served in the Central Valley (972,251 farmworkers).
  - FHCN is 8.1% of total, #1 nationally at almost 80,000.
- 6 of the 10 Counties with highest rates of Medi-Cal in CA .
  - Tulare (home of FHCN) is over 50%, so very high demand for FQHC services.

# FHCN Growth

- Strategic Goal of 10% growth each year (patients, visits, etc.).
- 510 providers currently credentialed.



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## FHCN Growth - Plans and Reality

- Geographic (32 total sites, 28 are clinical).
  - Moved into 3<sup>rd</sup> County in 2018 (Case Study).
  - 6 new locations 'acquired' since 2016.
  - 6 new locations 'built' since 2015.
  - Added 2 mobile units (1 medical and 1 dental) as well.
  - Also relocated 4 sites since 2012 all to expand significantly.
- **100% increase** in exam rooms from 2015 to Jan 2019! (557 total).

# FHCN Growth - Plans and Reality

- Service Lines

- Pharmacy- moved from 2 in-house pharmacies to 5 as of March 2019.
- Vision- started in 2016, up to 15,000+ visits in 2018. Expanding from 2 to 4 sites.
- Dental- now does over 110,000 visits annually (53% increase since 2014).
- Specialty- added multiple different specialist to increase access and reduce wait times for appointments.

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## Case Study - Groundwork

- Partnership didn't happen overnight.
- Started with lots of events, visits, dinners, etc.
- Worked with faculty group to bring Perinatology to FHCN site in Visalia (to save 45 minute drive for patients).



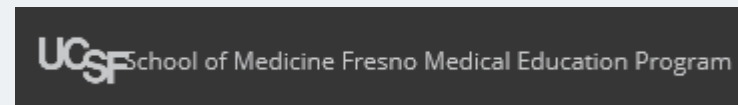
## Case Study - Background on CMC

- Community Medical Centers (CMC) is a large hospital in Fresno area.
  - ~900 beds on 4 campuses.
- CMC has had a campus of 3 clinics in downtown Fresno for many years.
- Another very small FQHC had walked away from a deal that was more than a year in the making, so CMC had a framework and wanted an FQHC partner.
- CMC Hospital was well past its GME cap.
- CMC was losing several million per year on the clinics.

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## Case Study - Partners Involved

- **CMC** - Landlord of buildings, former operator of clinics, and grantor.
- **CCMFG** - Faculty group supporting residency program and providing most of the provider FTEs for the sites.
- **UCSF** - Residency program.
- **Santé** - New IPA partner in Fresno County.
- **Others** - ENT group, Ophthalmology Group, Dental Residency.
- Also many new vendors, new EHR, etc.



## Case Study - Background on Sites

- **Ambulatory Care Center (ACC)**- 104 exam rooms, 80,000 square feet.
  - Primary care (IM, FM, Peds, Prompt Care, OBGYN), Dental, and Ophthalmology.
  - Also has Ryan White grant and HIV/Infectious Disease program.
  - Building also has a pharmacy, lab, and radiology, NOT part of acquisition.
- **Surgical Services Center (SSC)**- 25 exam rooms, 14,000 square feet.
  - ENT, Podiatry, Urology, Orthopedic Surgery, General Surgery, Trauma.
- **Disease Management Center (DMC)**- 10 exam rooms, 4,300 square feet.
  - Cardiology, Chronic Lung Disease clinic, Heart Failure clinic.

## Case Study - Background on Sites

- **TOTAL- 139 exam rooms and 98,300 square feet.**
  - FHCN leased about 87% of the ACC usable area (lab, radiology, OMFS, pharmacy).
  - FHCN leased all of other two buildings plus space in a temporary building for implementation.
  - Two big buildings met OSHPD3 standards, DMC did not, so operates as an FQHC satellite at 40 hours or less per week.
- Claimed approximately 125,000 visits per year (~30,000 patients!).

# Case Study - Timeline (Fast or Slow?)

First meeting was **May 2017**

- **By June** weekly negotiations were occurring (Jay, Marisol, Chad)
  - Worked a Tentative Proposal list by section and moved to completed as we reached agreement in 26 specific areas.
  - First step was to update FQHC framework given our input and size/financial position.
  - Mid-September down to 3 items left to hammer out.

MOU between FHCN and CMC  
signed in **October 2017**

## Case Study- Timeline (Fast or Slow?)

Draft agreements worked on from **November 2017** through, in some cases, up to **June 2018**.

- CMC piece alone had a Master Agreement and 17 other agreements.
- CMC agreements included leasing some staff to ease transition, grants, fixed asset purchases, security, sterilization, etc.
- Also negotiated faculty agreement with CCFMG from Nov 2017 to Jan 2018.

# Case Study - Conclusion of the Timeline-Go Live!



- **Go-Live was on Monday June 25, 2018.**
  - 13 months from first concept meeting.
  - Some areas closed Friday afternoon.
  - Only Prompt Care had to close on Saturday/Sunday.
  - Massive effort by FHCN IT, Facilities, Operations, Community Health, and many others as well as CMC IT crew.
  - New signage, new network (phones, computers), new EHR!
- FHCN opened another acquired site the previous week.

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## Case Study - Other Deal Points

- Able to negotiate multimillion dollar grant over 4 years.
  - Including some funds right at go-live for transition costs.
- Ability to have additional Asset, IT, and Staffing Grants as well.
- Ryan White Grant backstop if Federal support gets reduced.
- Innovative employee lease set-up to help transition of staff.
  - For example, some may be close to vesting at hospital.

# Case Study - The Current Numbers

- Over 150 staff hired in Fresno (plus addl infrastructure adds).
- Almost **700 clinicians, residents, fellows, and medical students** either credentialed and/or cleared through HR.
- Close to 50 agreements executed (professional services, leases, etc.). Does not even include vendor contracts.
- Over 52,000 visits in the first 6 months (with lots of room to expand volume). We expect well over 100,000 in the first full year of operations.
- Added 20,000 managed care lives, giving FHCN over 120,000 total.

## Case Study - The Current Numbers

- 12 new specialties added
  - A total of 24 Change in Scopes (CIS) filed with HRSA!

Allergy	Cardiology	ENT	Gastroenterology
Hematology	Infectious Disease	Nephrology	Neurology
Ophthalmology	Rheumatology	Urology	Vascular Surgery

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## Case Study - The Future Numbers

- Room capacity to get to over 200,000 visits at this campus alone.
- OMFS moving out next year. Dental could expand from 6 chairs to 25+.
- More specialties, more primary care, more access!

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## Other Acquisitions

- Worker's compensation clinic acquisition in implementation with April 1<sup>st</sup> opening date.
- 4 clinic acquisition with physician donating clinics to FHCN.

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## Case Study - Learnings

- Do homework on what fits with FQHC model and what doesn't.
- Don't be afraid to list your deal breakers.
- Get multiple levels of staff involved as soon as you can.
  - Helps identify the “little” things that add up- workflows, software, etc.
- Get a law degree-your life becomes equivalent to a staff lawyer reviewing agreements all day.